

# Analysis and Assessment: Significance, Materiality and Risk Categories

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# Analyze and Assess Risk – Step 2



# After collecting the data, the next step is to analyze The data and determine the likelihood of Non- compliance.

- ▶ Historical data,
- ▶ Trends,
- ▶ Applying definitions of significance and materiality

## Materiality/significance guidelines

- ▶ Number of ports impacted
- ▶ Value and volume represented
- ▶ Portion of industry impacted
- ▶ Laws and regulations that may be violated
- ▶ Commercial issues involved

Declarations impacted

Loss of revenue

- ▶ Other Customs entities



- ▶ Non-compliance represents

  - An isolated incident

  - A possible pattern of non-compliance

- ▶ Identification of previous actions taken



# Automated tools

Step one - automated delectation data (data base)

Step two - automated analytical tools



# Significance and Materiality Definitions

All violations are not equal

All violators are not equal

# Compliance Measurement Significance Definitions

“Letter of the Law” violations

VS.

Significance Criteria based on Trade Priority issues





# Compliance Assessment Materiality Definitions

Basis- findings of statistical based transaction testing

And

Internal Control Systems

# Compliance Assessment US Standards:

Letter of Law for:

Classification

Quantity, Reported Transaction Value

Record Keeping

Certain conditional checks (Trade programs)



# Results:

95% **AND** Internal controls documented

**LOW RISK**

95% Internal Controls Not documented

**MODERATE RISK**

Below 95% - Materiality Compliance Rated Computed

Materiality Compliance basis for compliance risk rate

**HIGHER RISK**



# Customs Actions

High Compliance, Good Internal Control Systems/

Low Risk — minimal CM exams

High Compliance, Suspect Internal Control Systems/

Moderate Risk — average number of CM exams

Low Compliance, No Internal Control Systems/

High Risk — significant number of CM exams

